

### **Rate Change Summary**

Initial Requested Rate Increases: 65.1% ranging from 65.1% to 65.1%: 401 policy holders

### **Final Determination:**

The Company has agreed to reduce their projected 2017 risk transfer payment assumption from \$122.65 to \$92.06 PMPM (a decrease of approximately 25%). This assumption change will reduce the proposed average rate increase from the originally submitted requested rate increase of 61.0% to 47.2%. We now recommend approval of the Company's final proposed 2017 rates after this modification.

### **Filing Note, Issues and/or Concerns**

The Company's requested rate increase of 65% was driven primarily to the following pricing assumptions:

- Company's risk adjustment transfer payment assumption (44% - they assumed \$0 last year),
- After tax profit margin increase (9%),
- TLF increase (3%).

Because these assumptions are the primary drivers of the requested rate increase and due to the limited time remaining until the filing's deemer date is reached, we have relied on the primary reviewer's conclusions for the majority of the filing (Please see the attached final rate review documentation for those review details). Our supplemental review focused the primary drivers listed above.

### **Summary**

It is noted that the 2017 proposed rate increase is so large primarily as a result of no risk adjustment transfer payment being assumed in the development of the 2016 rates. The Company's 2016 rate filing originally included a risk adjustment payment assumption but they were unable to support the assumption it was removed, resulting in lower 2016 rates.

In light of the Company's required 2015 risk adjustment payment as reported in the recently released 6/30 risk adjustment report, we agree a risk transfer payment assumption should be included in the 2017 rate development; however, the Company's assumption does not account for healthier members seeking lower rates as a result of the proposed significant rate increase of 65%, which would change their risk profile relative to the market.

We also note that the Company's largest proposed rates are over 200% compared to the market's lowest plan. In light of the availability of lower priced plans and the Company's proposed 65% rate increase, we do not agree the Company's assumption is reasonable. It is also our opinion, that since the Company has an assumed after tax risk margin of 9% built into the proposed 2017 rate increase, which is significantly larger than any other Carrier in the market, it is reasonable to request the Company reduce the proposed rates.